401726AR1210

ARKANSAS PUBLIC SERVICE COMMISSION
Section V
1st Revised Sheet No. 7 Replaces Original Sheet No. 7
ALL EXCHANGES
TRI-COUNTY TELEPHONE COMPANY
LOCAL EXCHANGE SERVICE (Cont'd)

PSC File Mark Only

14.3 Rates

The amount of the Lifeline Service discounted rate, which will be deducted from the normal residential access rate is as follows:

(CT) One-Party Residential$2.75

The above amount will be in addition to any reduction in the SLC by the FCC.

Issued: By: Bob Mouser, President
Tri-County Telephone Company
Effective: May 10, 2012

290571tn3010.pdf

Tri-County Telephone Co. (SAC 401726)

Response to Line 3010 – Milestone Certification (47 CFR §54.313(f)(1)(i))

Tri-County Telephone Co., hereby certifies that throughout 2016, it took reasonable steps to provide upon reasonable request broadband service at actual speeds of at least 10 Mbps downstream/1 Mbps upstream, with latency suitable for real-time applications, including Voice over Internet Protocol, and usage capacity that is reasonably comparable to comparable offerings in urban areas and that requests for such service are met within a reasonable amount of time. If a request for broadband service at actual speeds of at least 10 Mbps downstream/1 Mbps upstream is unreasonable, and offering broadband service at actual speeds of at least 4 Mbps downstream/1 Mbps upstream is reasonable, the Company offers broadband service at actual speeds of at least 4 Mbps downstream/1 Mbps upstream.

Report of Independent Auditors
and Consolidated Financial Statements
with Supplementary Consolidating Schedules for

E. Ritter Communications Holdings, Inc.

December 31, 2016 and 2015

MOSS-ADAMS LLP

Certified Public Accountants | Business Consultants

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MOSS-ADAMS LLP
Certified Public Accountants | Business Consultants

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
E. Ritter Communications Holdings, Inc.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of E. Ritter Communications Holdings, Inc. and subsidiaries, which comprise the consolidated balance sheet as of December 31, 2016, and the related consolidated statements of income and retained earnings, comprehensive income, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements.

To the Board of Directors
E. Ritter Communications Holdings, Inc.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of E. Ritter Communications Holdings, Inc. and its subsidiaries as of December 31, 2016, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The consolidated financial statements of E. Ritter Communications Holdings, Inc. for the year ended December 31, 2015, were audited by another auditor, whose report dated March 31, 2016, expressed an unmodified opinion on those statements.

Moss Adams LLP

Overland Park, Kansas
April 25, 2017

E. RITTER COMMUNICATIONS HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS

ASSETS

	December 31, 2016	December 31, 2015
CURRENT ASSETS		
Cash and cash equivalents	$ [redacted]	$ [redacted]
Accounts receivable, net		
Inventories		
Deferred income taxes		
Repurchase agreement		
Other		
Total current assets		
NONCURRENT ASSETS		
Investments	[redacted]	[redacted]
Goodwill		
Other intangible assets, net		
Total noncurrent assets		
PROPERTY, PLANT AND EQUIPMENT, net	[redacted]	[redacted]
Total assets	[redacted]	[redacted]

LIABILITIES AND STOCKHOLDER'S EQUITY

	December 31, 2016	December 31, 2015
CURRENT LIABILITIES		
Accounts payable	$ [redacted]	$ [redacted]
Due to affiliates		
Income taxes payable to E. Ritter & Company		
Current maturities of capital lease obligations		
Current maturities of long-term debt		
Line of credit		
Advance billings		
Other		
Total current liabilities		
LONG-TERM LIABILITIES		
Capital lease obligations	[redacted]	[redacted]
Long-term debt		
Deferred income taxes		
Due to affiliates		
Advance billings		
Other		
Total long-term liabilities		
STOCKHOLDER'S EQUITY		
Common stock, $0.01 par value; 1,000 shares authorized and issued	[redacted]	[redacted]
Additional paid-in capital		
Retained earnings		
Accumulated other comprehensive loss		
Total stockholder's equity		
Total liabilities and stockholder's equity	$ [redacted]	[redacted]

See accompanying notes.

E. RITTER COMMUNICATIONS HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

	December 31, 2016	December 31, 2015
REVENUE		
Communications revenue	$ [redacted]	$ [redacted]
Management services to related parties	[redacted]	[redacted]
Other	[redacted]	[redacted]
Total operating revenue	[redacted]	[redacted]
Cost of sales	[redacted]	[redacted]
Gross profit	[redacted]	[redacted]
OPERATING EXPENSES		
Operating expenses	[redacted]	[redacted]
Depreciation and amortization	[redacted]	[redacted]
Management services from related parties	[redacted]	[redacted]
Total operating expenses	[redacted]	[redacted]
Operating income	[redacted]	[redacted]
OTHER INCOME (EXPENSE)		
Gain on sale of assets	[redacted]	[redacted]
Interest income	[redacted]	[redacted]
Interest expense	[redacted]	[redacted]
Other	[redacted]	[redacted]
Total other expense, net	[redacted]	[redacted]
Income before income taxes	[redacted]	[redacted]
Provision for income taxes	[redacted]	[redacted]
Net income	[redacted]	[redacted]
Retained earnings		
Beginning of year	[redacted]	[redacted]
Dividends	[redacted]	[redacted]
End of year	$ [redacted]	$ [redacted]

See accompanying notes.

E. RITTER COMMUNICATIONS HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	December 31,	
	2016	2015
Net income	$ [redacted]	$ [redacted]
Other comprehensive income (loss), net of tax:		
Unrealized gain (loss) on interest rate swap	[redacted]	[redacted]
Other comprehensive income (loss)	[redacted]	[redacted]
Comprehensive income	[redacted]	[redacted]

 See accompanying notes.

E. RITTER COMMUNICATIONS HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	December 31, 2016	December 31, 2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ [redacted]	$ [redacted]
Adjustments to reconcile net income to net cash provided by operating activities		
Noncash operating activities		
Depreciation and amortization	[redacted]	[redacted]
Deferred income taxes	[redacted]	[redacted]
Uncollectible operating revenues	[redacted]	[redacted]
Gain on sale of assets	[redacted]	[redacted]
Loss on debt refinance	[redacted]	[redacted]
Share-based compensation	[redacted]	[redacted]
Changes in assets and liabilities		
Accounts receivable	[redacted]	[redacted]
Inventories	[redacted]	[redacted]
Other assets	[redacted]	[redacted]
Accounts payable and due to/from affiliates	[redacted]	[redacted]
Income taxes	[redacted]	[redacted]
Advanced billings	[redacted]	[redacted]
Other liabilities	[redacted]	[redacted]
Net cash provided by operating activities	[redacted]	[redacted]
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	[redacted]	[redacted]
Change in repurchase agreement	[redacted]	[redacted]
Proceeds from sale of property, plant and equipment	[redacted]	[redacted]
Additions to property, plant and equipment	[redacted]	[redacted]
Net cash used in investing activities	[redacted]	[redacted]
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of dividends	[redacted]	[redacted]
Payment of capital lease obligations	[redacted]	[redacted]
Proceeds from long-term debt	[redacted]	[redacted]
Proceeds from short-term debt	[redacted]	[redacted]
Payments on long-term debt	[redacted]	[redacted]
Loan costs	[redacted]	[redacted]
Net cash provided by financing activities	[redacted]	[redacted]
NET DECREASE IN CASH AND CASH EQUIVALENTS	[redacted]	[redacted]
CASH AND CASH EQUIVALENTS, beginning of year	[redacted]	[redacted]
CASH AND CASH EQUIVALENTS, end of year	$ [redacted]	$ [redacted]
Supplemental cash flow disclosures		
Interest paid, net of capitalized interest	$ [redacted]	$ [redacted]
Income taxes paid	[redacted]	[redacted]
Noncash investing and financing activities		
Additions of property, plant and equipment with accounts payable	[redacted]	[redacted]

See accompanying notes.

Note 1 – Organization and Summary of Significant Accounting Policies

(a) Organization

E. Ritter Communications Holdings, Inc. (RCH or the Company) is a wholly-owned subsidiary of E. Ritter & Company (ERC or the Parent).

(b) Communications (Regulated)

[redacted]

The Company's telephone operations at RTC, TCT and MTC are regulated in nature and their telephone accounting records are maintained in accordance with the rules and regulations of the Arkansas Public Services Commission (APSC) for RTC and TCT and the Tennessee Regulatory Authority (TRA) for MTC, which substantially adhere to the rules and regulations of the Federal Communications Commission (FCC). The Company's regulated operations are subject to the provisions of Financial Accounting Standards Board Accounting Standards Codification Topic 980, *Regulated Operations*. The Company's regulated operations are subject to the provisions of regulatory accounting under which actions by regulators can provide reasonable assurance of the realization of an asset, reduce or eliminate the value of an asset and impose a liability on a regulated enterprise. Such regulatory assets and liabilities are required to be recorded and, accordingly, reflected in the consolidated balance sheets of an entity subject to regulatory accounting.

(c) Communications (Non-Regulated)

The Company, through its wholly-owned nonregulated subsidiaries, generates revenue from nonregulated communications activities by (1) providing long-distance telephone services, (2) providing local and high speed data service to business customers, (3) providing cable television services, (4) providing residential high speed data service, (5) selling and leasing nonregulated equipment through the regulated telephone companies and (6) selling and leasing telephone equipment to businesses.

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

(d) Consolidation

These statements present the consolidated financial information of the Company and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in the consolidated financial statements, excluding transactions with the Company's regulated entities. The Company's regulated entities have the ability to recover a portion of their costs through the regulatory process and the Company's transactions with these regulated entities have not been eliminated due to the application of regulatory accounting at these entities.

(e) Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenses, and disclosure of contingent assets and liabilities. The estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the consolidated financial statements. Actual results realized may differ from these estimates.

(f) Cash and Cash Equivalents

The Company considers all highly liquid short-term investments purchased with a maturity of three months or less to be cash equivalents.

(g) Accounts Receivable

Accounts receivable are stated at the historical carrying amounts, net of write-offs and allowances for doubtful accounts. The allowance for doubtful accounts reflects the Company's best estimate of probable losses inherent in the Company's receivables determined on the basis of historical experience, market conditions, current trends and any specifically identified customer collection issues. Uncollectible accounts are written off when a settlement is reached for an amount that is less than the outstanding historical balance or when the Company has determined that collection of the balance is unlikely. [redacted]

(h) Investments

The Company's investments primarily consist of stocks for which there is no ready market, which are stated at cost.

(i) Inventories

Inventories are valued at the lower of cost (determined using average cost method) or market and primarily consist of materials and supplies used in the construction of property, plant and equipment.

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

(j) Goodwill and Other Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of net assets (including separately recognized intangible assets) acquired. Goodwill and other intangible assets with indefinite lives are not amortized but are reviewed at least annually for impairment. Management reviews the estimated fair market value to determine whether it's more likely than not that the fair value of a reporting unit is less than its carrying amount. This review considers the macroeconomic conditions in the industry, the market considerations of the business unit, cost factors and the overall financial performance of the business unit. Based on this review, no impairment charges have been recorded. Intangible assets that have finite lives are amortized over their estimated useful lives.

(k) Property, Plant and Equipment

Property, plant and equipment are stated at original cost, including general overhead capitalized, and an allowance for funds used during construction (capitalized interest costs). For financial reporting purposes, the Company provides for depreciation using straight-line composite rates over the estimated useful lives of the assets for nonregulated property and mass asset accounting for regulated property.

When regulated property is retired, the original cost, net of salvage, is charged against accumulated depreciation; no gain or loss is recognized on the disposition of this plant. When nonregulated property is retired, the cost of the property and the related accumulated depreciation are removed from the consolidated balance sheets, and any gain or loss on the transaction is recorded. The cost of maintenance and repairs, including the cost of replacing minor items not affecting substantial betterments, is charged to maintenance expense as incurred.

(l) Long-Lived Assets

The Company reviews the carrying value of its long-lived assets, other than intangible assets with indefinite lives, for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of the asset. The factors considered by the Company in performing this assessment include current operating results, trends and prospects, as well as the effects of obsolescence, demand, competition and other economic factors.

(m) Debt Issuance Costs

[redacted]

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

(n) Derivative Instruments and Hedging Activities

The Company seeks to manage interest cost using both fixed rate and variable rate debt. To manage this risk in a cost efficient manner, the Company may enter into interest rate swaps in which it agrees to exchange with a counterparty, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to an agreed-upon notional principal amount. Change in the fair value of a derivative that is highly effective and that is designated and qualifies as a cash flow hedge are recorded in other comprehensive income until such time that the loss or gain on the hedged item is recognized.

In 2015, the Company adopted FASB Accounting Standards Update (ASU) 2014-03 - *Derivatives and Hedging* (Topic 815): *Accounting for Certain Receive-Variable, Pay-Fixed Interest Rate Swaps - Simplified Hedge Accounting Approach*, which allowed the Company to follow a simplified approach to identify if the interest rate swaps qualified as cash flow hedges. The adoption of this standard in 2015 did not have a material impact on the Company's consolidated financial statements.

(o) Income Taxes

Income taxes are accounted for using the asset and liability method. Deferred taxes are recognized for the tax consequences of temporary differences by applying enacted statutory rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. The Company is included with its Parent in filing consolidated federal and state tax returns which are filed on a calendar year basis. Income tax expense is calculated on a separate return computational basis.

The Company recognizes tax positions that are more likely than not to be sustained. The Company has determined that it does not have any significant unrecognized tax benefits as of December 31, 2016 and 2015. Interest and penalties, if any, are recorded as interest expense and other expense, respectively, and are excluded from income tax expense.

(p) Taxes Imposed by Governmental Entities

The Company is subject to taxes assessed by various governmental authorities on many different types of revenue transactions with its customers. These specific taxes are charged to and collected from the Company's customers and subsequently remitted to the appropriate taxing authority. The taxes are accounted for on a net basis and excluded from revenues.

(q) Share-Based Payments

The Company has a share-based employee compensation plan, consisting of liability classified stock appreciation rights, which is described more fully in Note 12. Compensation cost is recognized for stock appreciation rights using an intrinsic value-based method over the requisite service period.

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

(r) Revenue Recognition - Network Access and Long-Distance Settlements

Revenues are recognized when earned and are primarily derived from usage of RTC's, TCT's and MTC's local exchange networks and facilities. RTC, TCT and MTC accrue unbilled revenues earned from the date of the customers' last billing to the end of the accounting period. Certain toll and access service revenues are estimated under cost separation procedures that base revenues on current operating costs and investments in facilities to provide such services. Long-distance revenues (resale) are recorded for amounts billed to customers and reimbursements to interexchange carriers for providing these nonregulated services are recorded as a component of cost of sales.

RTC, TCT and MTC also participate in revenue pooling arrangements with other local service providers. Such pools were funded by local interexchange carriers and other providers of telecommunications services. Settlements with these revenue-pooling arrangements are subject to retroactive adjustments from the pool members. The impacts of these adjustments are recorded in the period in which they are reported to the applicable pool administrator. [redacted]

(s) Revenue Recognition - Cable

Cable revenues are principally derived from subscriber fees for Ritter Cable Corporation's (RCC), TCT's and Millington CATV, Inc.'s (MCATV) video and high-speed Internet and are recognized as revenues as the services are provided. [redacted] These fees are normally passed through to cable subscribers and are not classified as part of revenues.

(t) Revenue Recognition - Other

Fiber transport revenues are derived from carrier Ethernet, Internet access, VOIP and leased dark fiber and are billed in advance, but recognized in the month that service is provided. Fiber transport revenues also include dark fiber Indefeasible Rights of Use (IRU) purchases and non-recurring installation charges. These charges are generally billed in advance and recognized in the month the service is provided.

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

(u) Regulation

The Company's wireline Universal Service Support revenue is intended to compensate the Company for the high cost of providing rural telephone service. Universal Service support revenue includes funds received for high cost loop support (HCLS), interstate common line support (ICLS), Connect America Fund (CAF), Arkansas High Cost Fund, and other miscellaneous programs. HCLS and ICLS are based on the Company's current relative level of operating expense and plant investment. Support from the CAF is based on historical frozen amounts related to 2011 investment and expenses associated with the switching function and certain 2011 intrastate access revenues, which together make up the CAF base. [redacted]

The Company's services are subject to rate regulation as follows:

- Regulated local telephone and intrastate access revenues, and Arkansas High Cost Fund are regulated by the APSC and TRA. The FCC also has assumed preemptive authority to regulate intrastate telecommunications services, including terminating intrastate access rates.
- Interstate access revenues are regulated by the FCC through its regulation of rates and settlement procedures as administered by NECA.
- Universal Service Support revenues are administered by Universal Service Administrative Company (USAC), based on rules established by the FCC.

The FCC released an Order and Further Notice of Proposed Rulemaking (FNPRM) in 2016 that reforms the High Cost Program supporting rate-of-return carriers. [redacted] The following changes have been implemented to modernize the program:

- Provides support for stand-alone broadband;
- Requires broadband deployment based on the number of locations lacking service and the cost of providing service;
- Requires allowances for capital investments and limits on operational expenses; and
- Phases out support for areas served by a qualifying competitor.

The FNPRM also created two paths to CAF for rate of return carriers. The model based option is voluntary and is a fixed amount of support for ten years. The legacy mechanism reforms the existing ICLS mechanism to support stand-alone broadband and will now be known as the Connect America Fund Broadband Loop Support (CAF BLS). The Company has elected to receive support under the model based option in future years for RTC and TCT.

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

(v) Comprehensive Income

Comprehensive income is defined as the change in equity during a period related to transactions and other events and circumstances from nonowner sources. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. The difference between net income and comprehensive income is attributable to changes in fair value of the Company's interest rate swap (net of taxes).

(w) Recently Adopted Accounting Policies

In April 2015, the FASB issued ASU No. 2015-03, *Interest-imputation of interest* (Subtopic 835-30): *Simplifying the Presentation of Debt Issuance Costs.* In August 2015, the FASB also issued ASU No. 2015-15, *Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements.* [redacted]

(x) Subsequent Events

Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are available to be issued. The Company recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing financial statements. The Company's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before the financial statements are available to be issued. The Company has evaluated the effect subsequent events would have on the consolidated financial statements through April 25, 2017 which was the date the consolidated financial statements were available to be issued.

(y) Reclassifications

Certain reclassifications have been made to the 2015 financial statements to conform to the 2016 presentation. The reclassifications had no effect on previously reported net income and stockholder's equity.

Note 2 - Inventories

Inventories at December 31 consist of the following:

	2016	2015
Regulated	[redacted]	$ [redacted]
Nonregulated	[redacted]	[redacted]
	[redacted]	$ [redacted]

Note 3 - Investments

Investments at December 31 consist of the following:

	2016	2015
Stocks carried at cost:		
CoBank Stock (1,000 shares) and allocated equity	$ [redacted]	$ [redacted]
RTFC stock and allocated equity	[redacted]	[redacted]
NECA Services, Inc. (2,500 shares)	[redacted]	[redacted]
Associated Network Partners, Inc. (6,148 shares)	[redacted]	[redacted]
Rasornet, Inc.	[redacted]	[redacted]
	$ [redacted]	$ [redacted]

Note 4 - Fair Values of Assets and Liabilities

The Company has estimated the fair value of its financial instruments using available market information or other appropriate valuation methodologies. Considerable judgment, however, is required in interpreting market data to develop certain estimates of fair value. Accordingly, certain estimates are not necessarily indicative of the amounts that the Company would realize in a current market exchange.

The carrying value of cash and cash equivalents, accounts receivable, accounts payable and due to affiliates approximates fair value because of the short maturity of those instruments. [redacted]

The Financial Accounting Standards Board's standard for fair value accounting applies when entities are required to use fair values for a particular instrument or for which they have chosen to use fair values. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Assumptions, or inputs, that market participants would use in pricing the asset or liability are used in valuation techniques to measure fair value. Inputs may be observable or unobservable and are prioritized into three broad levels: quoted prices in active markets for identical assets or liabilities (Level 1), significant other observable inputs (Level 2) and significant unobservable inputs (Level 3). These levels aim to reflect the amount of precision implicit in the valuation of a financial asset or liability.

Note 4 - Fair Values of Assets and Liabilities (continued)

The tables below present the balances of assets and liabilities measured at fair value on a recurring basis:

	December 31, 2016			
	Total	Level 1	Level 2	Level 3
Assets	[redacted]	[redacted]	[redacted]	[redacted]
Liabilities:				
Interest rate swap	[redacted]	[redacted]	[redacted]	[redacted]

	December 31, 2015			
	Total	Level 1	Level 2	Level 3
Assets	[redacted]	[redacted]	[redacted]	[redacted]
Liabilities:				
Interest rate swap	[redacted]	[redacted]	[redacted]	[redacted]

The determination of the fair value above incorporates various factors required including the credit standing and nonperformance risk of counterparties involved. The swap value is determined by CoBank based on interest rates on the balance sheet date and is included in other long-term liabilities at December 31, 2016. Management assessed both the credit and nonperformance risks and has determined them to be insignificant.

Note 5 - Goodwill and Other Intangible Assets

The Company has recognized franchise rights, customer relationships, goodwill and other intangible assets in connection with its acquisitions of MTC, TCT, and Blytheville Cable.

The Company's cable systems are operated under nonexclusive franchises that are granted by state or local governmental authorities for varying lengths of time. The Company assessed the expected useful life of each of its cable franchises and concluded that they have an indefinite useful life and, therefore, are not subject to amortization but instead are tested for impairment at least annually.

Customer relationships are deemed to have a finite useful life of three to ten years and are amortized on a basis which is materially consistent with the proportion of cash flows expected to be generated from their use. Noncompete agreements and other finite-lived intangible assets are amortized on a straight-line basis over the estimated useful lives of the assets. The Company evaluates the useful lives of its finite-lived intangible assets annually to determine whether events or circumstances indicate the need to revise the estimates of useful lives.

Note 5 – Goodwill and Other Intangible Assets (continued)

Goodwill and other intangible assets at December 31 consist of the following:

	Life (years)	2016 Cost	2016 Accumulated amortization	2015 Cost	2015 Accumulated amortization
Goodwill	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Franchise rights	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Noncompete agreements	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Customer relationships	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Other	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
		[redacted]	[redacted]	[redacted]	[redacted]
Less accumulated amortization		[redacted]		[redacted]	
Intangibles, net		[redacted]		[redacted]	

[redacted]

Year Ending December 31,

2017	[redacted]
2018	[redacted]
2019	[redacted]
2020	[redacted]
2021	[redacted]
Thereafter	[redacted]
	[redacted]

Note 6 – Property, Plant and Equipment

Property, plant and equipment at December 31 consist of the following:

	Estimated useful lives	2016	2015
Land	[redacted]	[redacted]	[redacted]
Buildings	[redacted]	[redacted]	[redacted]
Equipment	[redacted]	[redacted]	[redacted]
Plant under construction	[redacted]	[redacted]	[redacted]
		[redacted]	[redacted]
Less accumulated depreciation		[redacted]	[redacted]
		[redacted]	[redacted]

Note 6 – Property, Plant and Equipment (continued)

[redacted] The Company periodically evaluates the depreciable lives of its property, plant and equipment and makes adjustments to its depreciation rates accordingly. [redacted]

Recorded assets subject to capital lease arrangements are not material.

Note 7 – Long-Term Debt

Long-term debt at December 31 is summarized as follows:

	2016	2015
CoBank:		
[redacted]	[redacted]	[redacted]
Less: Unamortized debt discount and debt issuance costs	[redacted]	[redacted]
Total debt	[redacted]	[redacted]
Less current maturities	[redacted]	[redacted]
	[redacted]	[redacted]

Future maturities of long-term debt are summarized as follows:

Year ending December 31,

2017	[redacted]
2018	
2019	
2020	
2021	
Thereafter	

Note 7 – Long-Term Debt (continued)

[redacted]

[redacted]

[redacted]

[redacted]

Note 7 – Long-Term Debt (continued)

All derivative instruments are recorded on the consolidated balance sheets at fair value. Changes in fair value of the effective portions of the swap are recorded as a component of other comprehensive income in the current period. Any ineffective portion of the hedge is recognized in earnings in the current period. RCH's swap is matched in maturity and payment date with the payments due on the existing term loan. No expense was recognized in 2016 or 2015 due to ineffectiveness of the swaps.

	2016	2015
2013 Swap		
Notional amount of the swap	[redacted]	[redacted]
Fair market value of the swap		
Fixed interest rate paid		
Average variable interest rate received		

	2016	2015
2015 Swap		
Notional amount of the swap	[redacted]	[redacted]
Fair market value of the swap		
Fixed interest rate paid		
Average variable interest rate received		

The CoBank debt agreements contain reporting requirements and financial covenants that relate to the payment of dividends, certain leverage ratios, limitations on capital expenditures and limitations on new debt. Additionally, the fixed rate note contains certain prepayment penalties.

Note 8 – Income Taxes

The components of the provision for income taxes at December 31 are summarized as follows:

	2016	2015
Current:	[redacted]	[redacted]
Federal		
State		
Deferred:	[redacted]	[redacted]
Federal		
State		

Note 8 – Income Taxes (continued)

The differences between the federal statutory rate and the Company's effective tax rate at December 31 are:

	2016	2015
Federal taxes at the statutory rate	[redacted]	[redacted]
State income tax – net of federal benefit	[redacted]	[redacted]
Nondeductible penalties and other	[redacted]	[redacted]
	[redacted]	[redacted]

The tax effects of temporary differences that give rise to significant components of the Company's net deferred income tax assets and liabilities at December 31 were as follows:

	2016	2015
Current deferred tax assets:		
Allowance for doubtful accounts	[redacted]	[redacted]
Inventories	[redacted]	[redacted]
Compensated absences	[redacted]	[redacted]
Advance billings	[redacted]	[redacted]
Bonuses/incentives	[redacted]	[redacted]
Other	[redacted]	[redacted]
Net current deferred tax assets	[redacted]	[redacted]
Noncurrent deferred tax assets (liabilities):		
Property, plant and equipment	[redacted]	[redacted]
Share-based plans	[redacted]	[redacted]
MTC stock	[redacted]	[redacted]
Intangibles	[redacted]	[redacted]
Advance billings	[redacted]	[redacted]
Accumulated other comprehensive loss	[redacted]	[redacted]
Federal net operating loss	[redacted]	[redacted]
State net operating loss	[redacted]	[redacted]
Other	[redacted]	[redacted]
Net noncurrent deferred tax liabilities	[redacted]	[redacted]

[redacted]

In assessing the realization of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities (including the impact of available carryback and carryforward periods), projected future taxable income and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that the Company will

Note 8 - Income Taxes (continued)

realize the benefits of these deductible differences at December 31, 2016. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

Deferred tax liabilities associated with Accumulated Other Comprehensive Loss relate primarily to the changes in the Company's interest rate swap.

Note 9 - Operating Leases

The Company has various lease agreements for offices and equipment and also leases certain real estate from ERC. These obligations extend through 2021. Most of these operating leases provide the Company with the option to either purchase the property or renew its lease at the current fair value after the initial lease term. Generally, management expects that leases will be renewed or replaced by other leases in the normal course of business [redacted]

Future minimum payments under these leases are as follows:

Year ending December 31,	[redacted]
2017	[redacted]
2018	[redacted]
2019	[redacted]
2020	[redacted]
Thereafter	[redacted]
	[redacted]

Note 10 - Employee Benefit Plans

The Company participates with its Parent and its subsidiaries in a noncontributory defined benefit pension plan (the ERC Plan) covering substantially all of the employees of ERC and its subsidiaries. Pension benefits are based on an employee's years of credited service and compensation. The Company's funding policy is to satisfy the funding requirements of the Employee Retirement Income Security Act of 1974. [redacted]

The Company participates with its Parent in an employee savings plan under Section 401(k) of the Internal Revenue Code (the 401(k) Plan) covering substantially all full-time employees of ERC and its subsidiaries. Employees may elect to contribute a portion of their eligible pretax compensation up to certain specified limits. The Company also makes matching contributions to the 401(k) Pla[redacted]

Note 11 – Related-Party Transactions

ERC and RCH provide accounting and administrative services to their subsidiaries. As discussed in note 1, transactions with the TCT, RTC and MTC regulated entities are not eliminated in consolidation due to the application of regulatory accounting at these entities. Management services revenue includes charges by RCH to its regulated subsidiaries. Management services expense includes amounts charged by ERC to RCH. All services are primarily billed to the regulated entities in the form of management services and are calculated based upon cost and a rate of return to provide such services as prescribed by the regulatory process.

At December 31 income and expense items from related-party transactions included in the accompanying consolidated statements of income and retained earnings were:

	2016	2015
Operating revenues:		
Management services – RCH charges to subsidiaries/affiliates	[redacted]	[redacted]
RCH charges to ERC for information technology	[redacted]	[redacted]
Other – TCT charges to affiliates for software maintenance	[redacted]	[redacted]
Other – Ritter Communications Inc. (RCI) charges to affiliates for data services	[redacted]	[redacted]
	[redacted]	[redacted]
Operating expenses:		
Management services – ERC charges to RCH	[redacted]	[redacted]
Management services – RCH charges to subsidiaries/affiliates	[redacted]	[redacted]
Rent paid to ERC	[redacted]	[redacted]
	[redacted]	[redacted]

Receivables (payables) arising from related-party transactions at December 31 are as follows:

	2016	2015
E. Ritter & Company	[redacted]	[redacted]
E. Ritter Agribusiness Holdings, Inc.	[redacted]	[redacted]
	[redacted]	[redacted]

Note 12 – Share-Based Payments

In November 2012, the *2012 Stock Appreciation Rights Plan of E. Ritter Communications Holdings, Inc.* (the 2012 SAR Plan) was approved[redacted]

[redacted]ights entitle the holder to (1) a cash payment equal to dividends paid to the shareholder and (2) a cash settlement equal to the increase in fair value, as determined by appraisal of the Company's common stock. Accordingly, the fair value of the vested portion of these grants is reflected as a liability in the accompanying consolidated financial statements. Accumulations under these rights continue until the employment of the holder terminates and are subject to vesting requirements. [redacted]

Following is a summary of stock appreciation rights under the RCH SAR plans:

	2016	2015
Outstanding at beginning of year	[redacted]	[redacted]
Granted	[redacted]	[redacted]
Redeemed	[redacted]	[redacted]
Outstanding at end of year	[redacted]	[redacted]
Vested at end of year	[redacted]	[redacted]

Note 13 – Concentrations

Cash deposits in excess of operating requirements are swept daily to overnight investment accounts collateralized by government-backed securities.[redacted]

[redacted]

The Company had receivables from the following entities representing more than 10% of total receivables at December 31:

	2016	2015
NECA	[redacted]	[redacted]

SUPPLEMENTARY INFORMATION

MOSS-ADAMS LLP
Certified Public Accountants | Business Consultants

REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION

To the Board of Directors
E. Ritter Communications Holdings, Inc.

We have audited the consolidated financial statements of E. Ritter Communications Holdings, Inc. and its subsidiaries as of and for the year ended December 31, 2016, and have issued our report thereon dated April 25, 2017 which contained an unmodified opinion on those financial statements, and appears on page 1. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for the purposes of additional analysis of the consolidated financial statements, rather than to present financial position, results of operations, and cash flows of the individual companies, and it is not a required part of the consolidated financial statements. Such information is the responsibility of Management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Moss Adams LLP

Overland Park, Kansas
April 25, 2017

E. RITTER COMMUNICATIONS HOLDINGS, INC.
SUPPLEMENTARY CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2016

ASSETS

	Tri-County Telephone	E. Ritter Telephone	Millington Telephone	MTEL Long Distance, Inc.	Other	Eliminations	Consolidated
CURRENT ASSETS							
Cash and cash equivalents	[redacted]						
Accounts receivable, net							
Inventories							
Income taxes receivable from E. Ritter & Company							
Deferred income taxes							
Repurchase agreement							
Due from affiliates							
Other							
Total current assets							
NONCURRENT ASSETS							
Investments	[redacted]						
Goodwill							
Deferred income taxes							
Due from affiliates							
Other intangible assets, net							
Total noncurrent assets							
PROPERTY, PLAN AND EQUIPMENT, net	[redacted]						
Total assets	[redacted]						

LIABILITIES AND STOCKHOLDER'S EQUITY

	Tri-County Telephone	E. Ritter Telephone	Millington Telephone	MTEL Long Distance, Inc.	Other	Eliminations	Consolidated
CURRENT LIABILITIES							
Accounts payable	[redacted]						
Due to affiliates							
Income taxes payable to E. Ritter & Company							
Current maturities of capital lease obligations							
Current maturities of long-term debt							
Line of Credit							
Advance billings							
Deferred income taxes							
Other							
Total current liabilities							
LONG-TERM LIABILITIES							
Long-term debt	[redacted]						
Deferred income taxes							
Due to affiliates							
Advance billings							
Other							
Total long-term liabilities							
STOCKHOLDER'S EQUITY							
Common stock	[redacted]						
Additional paid-in capital							
Retained earnings							
Accumulated other comprehensive loss							
Total stockholder's equity							
Total liabilities and stockholder's equity	[redacted]						

E. RITTER COMMUNICATIONS HOLDINGS, INC.
SUPPLEMENTARY CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2015

ASSETS

	Tri-County Telephone	E. Ritter Telephone	Millington Telephone	MTEL Long Distance, Inc.	Other	Eliminations	Consolidated
CURRENT ASSETS							
Cash and cash equivalents	[redacted]						
Accounts receivable, net	[redacted]						
Inventories	[redacted]						
Income taxes receivable from E. Ritter & Company	[redacted]						
Deferred income taxes	[redacted]						
Repurchase agreement	[redacted]						
Due from affiliates	[redacted]						
Other	[redacted]						
Total current assets	[redacted]						
NONCURRENT ASSETS							
Investments	[redacted]						
Goodwill	[redacted]						
Deferred income taxes	[redacted]						
Other intangible assets, net	[redacted]						
Total noncurrent assets	[redacted]						
PROPERTY, PLANT AND EQUIPMENT, net	[redacted]						
Total assets	[redacted]						

LIABILITIES AND STOCKHOLDER'S EQUITY

	Tri-County Telephone	E. Ritter Telephone	Millington Telephone	MTEL Long Distance, Inc.	Other	Eliminations	Consolidated
CURRENT LIABILITIES							
Accounts payable	[redacted]						
Due to affiliates	[redacted]						
Income taxes payable to E. Ritter & Company	[redacted]						
Current maturities of capital lease obligations	[redacted]						
Current maturities of long-term debt	[redacted]						
Advance billings	[redacted]						
Deferred income taxes	[redacted]						
Other	[redacted]						
Total current liabilities	[redacted]						
LONG-TERM LIABILITIES							
Capital lease obligations	[redacted]						
Long-term debt	[redacted]						
Deferred income taxes	[redacted]						
Advance billings	[redacted]						
Other	[redacted]						
Total long-term liabilities	[redacted]						
STOCKHOLDER'S EQUITY							
Common stock	[redacted]						
Additional paid-in capital	[redacted]						
Retained earnings	[redacted]						
Accumulated other comprehensive loss	[redacted]						
Total stockholder's equity	[redacted]						
Total liabilities and stockholder's equity	[redacted]						

E. RITTER COMMUNICATIONS HOLDINGS, INC.
SUPPLEMENTARY CONSOLIDATING STATEMENT OF INCOME AND RETAINED EARNINGS
DECEMBER 31, 2016

	Tri-County Telephone	E. Ritter Telephone	Millington Telephone	MTEL Long Distance, Inc.	Other	Eliminations	Consolidated
REVENUE							
Communications revenue	[redacted]						
Management services to related parties	[redacted]						
Other	[redacted]						
Total operating revenue	[redacted]						
Cost of sales	[redacted]						
Gross profit	[redacted]						
OPERATING EXPENSES							
Operating expenses	[redacted]						
Depreciation and amortization	[redacted]						
Management services from related parties	[redacted]						
Total operating expenses	[redacted]						
Operating income	[redacted]						
OTHER INCOME (EXPENSE)							
Gain (loss) on sale of assets	[redacted]						
Interest income	[redacted]						
Interest expense	[redacted]						
Other	[redacted]						
Total other income (expense), net	[redacted]						
Income (loss) before income taxes	[redacted]						
Provision (benefit) for income taxes	[redacted]						
Net income (loss)	[redacted]						
Retained earnings							
Beginning of year	[redacted]						
Dividends	[redacted]						
End of year	[redacted]						

E. RITTER COMMUNICATIONS HOLDINGS, INC.
SUPPLEMENTARY CONSOLIDATING STATEMENT OF INCOME AND RETAINED EARNINGS
DECEMBER 31, 2015

	Tri-County Telephone	E. Ritter Telephone	Millington Telephone	MTEL Long Distance, Inc.	Other	Eliminations	Consolidated
REVENUE							
Communications revenue	[redacted]						
Management services to related parties	[redacted]						
Other	[redacted]						
Total operating revenue	[redacted]						
Cost of sales	[redacted]						
Gross profit	[redacted]						
OPERATING EXPENSE							
Operating expenses	[redacted]						
Depreciation and amortization	[redacted]						
Management services from related parties	[redacted]						
Total operating expenses	[redacted]						
Operating income	[redacted]						
OTHER INCOME (EXPENSE)							
Gain on sale of assets	[redacted]						
Interest income	[redacted]						
Interest expense	[redacted]						
Other	[redacted]						
Total other income (expense), net	[redacted]						
Income (loss) before income taxes	[redacted]						
Provision (benefit) for income taxes	[redacted]						
Net income (loss)	[redacted]						
Retained earnings							
Beginning of year	[redacted]						
Dividends	[redacted]						
End of year	[redacted]						

E. RITTER COMMUNICATIONS HOLDINGS, INC.
SUPPLEMENTARY CONSOLIDATING STATEMENT OF CASH FLOWS
DECEMBER 31, 2016

	Tri-County Telephone	E. Ritter Telephone	Millington Telephone	MTEL Long Distance, Inc.	Other	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES						
Net income (loss)	[redacted]					
Adjustments to reconcile net income (loss) to net cash provided by operating activities						
Noncash operating activities						
Depreciation and amortization	[redacted]					
Deferred income taxes						
Uncollectible operating revenues						
Loss (gain) on sale of assets						
Share-based compensation						
Changes in assets and liabilities:						
Accounts receivable	[redacted]					
Inventories						
Other assets						
Accounts payable and due to affiliates						
Income taxes						
Advanced billings						
Other liabilities						
Net cash provided by operating activities						
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of investments	[redacted]					
Change in repurchase agreement						
Proceeds from sale of property, plant and equipment						
Additions to property, plant and equipment						
Net cash provided by (used in) investing activities						
CASH FLOWS FROM FINANCING ACTIVITIES						
Payment of dividends	[redacted]					
Payment of capital lease obligations						
Proceeds from long-term debt						
Proceeds from short-term debt						
Payments on long-term debt						
Net cash provided by (used in) financing activities						
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	[redacted]					
CASH AND CASH EQUIVALENTS, beginning of year	[redacted]					
CASH AND CASH EQUIVALENTS, end of year	[redacted]					
Supplemental cash flow disclosures						
Interest paid, net of capitalized interest	[redacted]					
Income taxes paid						
Noncash investing and financing activities:						
Additions of property, plant and equipment with accounts payable	[redacted]					

E. RITTER COMMUNICATIONS HOLDINGS, INC.
SUPPLEMENTARY CONSOLIDATING STATEMENT OF CASH FLOWS
DECEMBER 31, 2015

	Tri-County Telephone	E. Ritter Telephone	Millington Telephone	MTEL Long Distance, Inc.	Other	Consolidated
CASH FLOWS FROM OPERATING						
Net income (loss)	[redacted]					
Adjustments to reconcile net income (loss) to net cash provided by operating activities						
Noncash operating activities:						
Depreciation and amortization	[redacted]					
Deferred income taxes						
Uncollectible operating revenues						
Gain on sale of assets						
Loss on debt refinance						
Share-based compensation						
Changes in assets and liabilities:						
Accounts receivable						
Inventories						
Other assets						
Accounts payable and due to affiliates						
Income taxes						
Advanced billings						
Other liabilities						
Net cash provided by (used in) operating activities						
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of investments	[redacted]					
Change in repurchase agreement						
Proceeds from sale of property, plant and equipment						
Additions to property, plant and equipment						
Net cash used in investing activities						
CASH FLOWS FROM FINANCING ACTIVITIES						
Payment of dividends	[redacted]					
Payment of capital lease obligations						
Proceeds from long-term debt						
Payments on long-term debt						
Loan costs						
Net cash provided by (used in) financing activities						
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	[redacted]					
CASH AND CASH EQUIVALENTS, beginning of year						
CASH AND CASH EQUIVALENTS, end of year						
Supplemental cash flow disclosures						
Interest paid, net of capitalized interest	[redacted]					
Income taxes paid (refunded)						
Noncash investing and financing activities:						
Additions of property, plant and equipment with accounts payable						